

## Message Text

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ACTION NEA-09

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FM AMEMBASSY KUWAIT

TO USDOC WASHDC PRIORITY

INFO SECSTATE WASHDC 9921

AMEMBASSY BEIRUT POUCH

LIMITED OFFICIAL USE KUWAIT 2429

EO 11652: NA

TAGS: EFIN, BEXP, BMEP, KU

SUBJ: U.S. BANK SOUGHT TO MANAGE NEWLY ACQUIRED LEBANESE BANK

SUMMARY: KUWAITI GROUP HAS BOUGHT BANK IN LEBANON FOR WHICH IT SEEKS US MANAGEMENT. EMBASSY HAS BEEN REQUESTED TO ASSIST IN CONTACTING IRVING TRUST OR OTHER LARGE US BANKS NOT CURRENTLY ACTIVE IN LEBANON ABOUT THIS PROPOSAL. END SUMMARY

1. TALAL ABU GHAZALEH, WELL-CONNECTED LOCAL ACCOUNTANT WHO PRICE-WATERHOUSE CORRESPONDENT IN KUWAIT, HAS CONTACTED EMBASSY SEEKING U.S. FIRM TO MANAGE LEBANESE BANK IN WHICH 77 PERCENT EQUITY PURCHASED BY PROMINENT KUWAITI CONSORTIUM.

2. ABU GHAZALEH WAS RATHER SECRETIVE ABOUT DETAILS OF DEAL, BUT TOLD EMBASSY AILING LEBANESE BANK (UNIDENTIFIED) HAD BEEN SOLD TO GROUP OF PROMINENT KUWAITIS. ABU GHAZALEH SAID DEAL WAS ACTUALLY CONCLUDED BUT NO OFFICIAL ANNOUNCEMENT WOULD BE MADE UNTIL AUGUST 1. HE HINTED BANK WAS RATHER SMALL, BUT KUWAITI GROUP HE WAS WORKING WITH PLANNED TO MAKE IT "THE LARGEST BANK IN LEBANON", AND THEY HOPED TO TAKE LEBANON "BY SURPRISE". HE CLAIMED IN RECENT MEETING MAJORITY OF STOCKHOLDERS FAVORED U.S. BANK MANAGEMENT, SPECIFICALLY IRVING TRUST, AGAINST MINORITY FAVORING BARCLAY'S. HOWEVER HE MADE CLEAR IF IRVING NOT INTERESTED ANY LARGE WELL-KNOWN U.S. BANK NOT RPT NOT PRESENTLY OWNING OR MANAGING A BANK IN LEBANON WOULD BE POTENTIALLY SATISFACTORY ALTERNATIVE. HE SAID HE WOULD LIKE TO MEET IN KUWAIT SOONEST WITH

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INTERESTED BANKING OFFICIALS TO NEGOTIATE MANAGEMENT AGREEMENT.

WHILE THIS GROUP NOT ANXIOUS FOR EQUITY PARTNER, HE HELD OUT  
POSSIBILITY THIS COULD BE SUBJECT TO NEGOTIATIONS.

3. REQUEST COMMERCE IMMEDIATELY CONTACT LEADING OFFICIALS AT  
IRVING TRUST AND RELAY THIS PROPOSAL TO THEM. IF INTERESTED THEY  
SHOULD TELEX ABU GHAZALEH AT: AUDITORS KWT 2119 AND DISPATCH  
OFFICIALS TO KUWAIT. ABU GHAZALEH SAID HE WOULD EXPEDITE VISAS  
AND ANY OTHER NECESSARY ARRANGEMENTS FOR INTERESTED PARTIES.  
IF IRVING UNINTERESTED COMMERCE REQUESTED CONTACT TOP U.S. BANKS  
NOT NOW ACTIVE IN BEIRUT AND URGE THEM TO FOLLOW UP WITH ABU  
GHAZALEH. FURTHER REQUEST EMBASSY BE NOTIFIED SOONEST RE LEVEL  
OF INTEREST.

4. COMMENT: EMBASSY REALIZES IT SOMEWHAT UNUSUAL TO PROPOSE THAT  
PARTIES INTERESTED IN BANKING IN BEIRUT MAKE THEIR INITIAL  
CONTACTS IN KUWAIT. IN FACT, HOWEVER, THIS IS WHERE THE MONEY  
IS COMING FROM AND IT WILL BE FROM KUWAIT THAT THIS BANK WILL  
BE CONTROLLED. EMBASSY BEIRUT MAY WISH COMMENT.

5. WE WISH EMPHASIZE OUR BELIEF THAT ABU GHAZALEH PROPOSAL MIGHT  
BE EXCELLENT VEHICLE FOR THOSE U.S. BANKS EAGER TO ESTABLISH IN  
BEIRUT. ABU GHAZALEH, A PALESTINIAN, HAS IN RECENT YEARS BECOME  
A FOCAL POINT FOR ALL TYPES OF COMMERCIAL AND FINANCIAL ACTIVITY  
IN KUWAIT. HE HAS CLOSE CONNECTIONS WITH MANY POWERFUL MERCHANT  
FAMILIES AND RULING SABAH FAMILY, HANDLING ACCOUNTS FOR SOME  
OF FAMILY'S CENTRAL FIGURES. WHILE ABU GHAZALEH WAS RETICENT  
ABOUT SUPPLYING FURTHER DETAILS AT THIS TIME, EMBASSY RECOMMENDS  
ACTION ON PART OF INTERESTED BANKERS BASED UPON OUR KNOWLEDGE OF  
ABU GHAZALEH'S PIVOTAL ROLE WITH MAY FINANCIAL POWERS IN KUWAIT.  
MCCLELLAND

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